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No. 81-2303
IN THE

Supreme Court of the United States

October Term, 1981

FABERGE, INCORPORATED, a Delaware Corporation,
Petitioner,

vs.

CHESEBROUGH-POND'S, INC., a New York corporation,
Respondent.

PETITIONER'S REPLY BRIEF IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT.

WILLIAM K. RIEBER,
FULWIDER, PATTON, RIEBER,
LEE & UTECHT,
3435 Wilshire Boulevard,
Suite 2400,
Los Angeles, Calif. 90010,
(213) 380-6800,
Attorneys for Petitioner,
Faberge, Incorporated.

Parker & Son, Inc., Law Printers, Los Angeles. Phone 724-6622

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PETITIONER'S REPLY BRIEF IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT.

Respondent, Chesebrough-Pond's, Inc. (hereinafter "Chesebrough"), has filed a Brief in Opposition to the Petition herein which requires a brief response. Petitioner, Faberge, Incorporated (hereinafter "Faberge") accordingly submits the following reply.

Chesebrough's Charge That Faberge Misstated the History of the Proceedings Below Is Untrue.

Chesebrough's charge (Brief in Opposition, page i) that Faberge has misstated the record, is untrue and unwarranted. On page 5 of the Brief in Opposition, Chesebrough lists five alleged omissions or misstatements which it charges infect our brief in support of the Petition. As a premise for those allegations Chesebrough has added an Appendix to

its brief in which certain matters are included which were not included in Faberge's Appendix.

While we make no objection to this Court considering the matters set forth in Chesebrough's Appendix, we respectfully observe that none of these matters was included in the Record before the Court of Appeals for the Ninth Circuit and are therefore technically aliunde the record before this Court. It is for that reason that they were not included in Faberge's original Appendix. No deception was intended by the omission.

Moreover, it is clear that when properly interpreted, none of the items added by Chesebrough's Appendix alters the substance of the Petition or constitutes any reason for denying the Petition.

Faberge Raised Its Jurisdictional Objection in the District Court.

One Appendix item is seriously misinterpreted by Chesebrough and requires correction and a short Supplemental Appendix. Chesebrough argues that Faberge did not raise any objection to jurisdiction in response to Chesebrough's motion for summary judgment (item 2, page 5 — Brief in Opposition). That argumentative statement, while perhaps technically true, is highly misleading.

The fact is that undersigned counsel never had an opportunity to respond directly to Chesebrough's motion for summary judgment because they were not associated herein on behalf of Faberge until December 21, 1979. By that time the District Court had already granted Chesebrough's motion for summary judgment and was engaged in considering proposed Findings of Fact and Conclusions of Law and Judgment as lodged by Chesebrough.

The initial memorandum filed by undersigned counsel on behalf of Faberge — "Defendant's Objections to Plaintiff's

Second Proposed Findings of Fact and Conclusions of Law" — was filed in the District Court on January 17, 1980. Contrary to Chesebrough's present contention, Faberge *did* in that January 17 memorandum raise and seek reconsideration of the question of jurisdiction in the District Court. A copy of this document is included as a Supplemental Appendix hereto since it squarely rebuts Chesebrough's contention that Faberge never raised any objection to jurisdiction to grant summary judgment.

As this Court will observe, Faberge's primary objection and request for reconsideration voiced in its January 17 memorandum was based on the *Merrick* rule and the District Court's failure to observe that rule.

In our initial memorandum (Supplemental Appendix, page 3) we also reminded the District Court of the limited nature of "Findings of Fact" in a summary judgment proceeding citing *Trowler v. Phillips*, 260 F.2d 924 (9th Cir., 1958) on this point.

Our closing remarks in the subject memorandum were, in pertinent part, as follows:

> "We respectfully submit that in the words of the Ninth Circuit Court of Appeals, the Findings proposed by the Plaintiff . . . constitute 'a tell-tale flag that points the way to a discovery that Summary Judgment should not have been granted'. The Court is urged to reconsider this matter in that light, particularly the threshold question of subject matter jurisdiction in view of . . . *Merrick* (185 F.2d 713) and the *Public Commission of Utah* etc. case (344 U.S. 237).
>
> "In any event the Court is asked to reject the proposed Findings submitted by Plaintiff and with respect to the jurisdiction issue to make a clear finding that the only communication between the parties upon which Plaintiff seeks to base a justiciable controversy is the

> Faberge-Ward letter of August 25, 1975 attached as Exhibit A to Faberge's Motion to Dismiss, filed herein December 22, 1978."

It is significant that the District Court understood and acknowledged our attack on jurisdiction but ignored the *Merrick* rule and erroneously concluded on the basis of the August 25, 1975 letter alone, that federal declaratory judgment jurisdiction existed in this case. In its Memorandum to Counsel (Petitioner's original Appendix, page 13) the District Court stated in pertinent part:

> "(b) The only change that I made in the findings was to make clear that my conclusion that there was a justiciable controversy giving jurisdiction to this court *is based entirely upon the letter of August 25, 1975. This is in fulfillment of the request made by the defendant.*" (Emphasis added).

The District Court's Memorandum to Counsel (see Petitioner's original Appendix, pages 13 and 14) then proceeds to explain in detail how, on the basis of the August 25 letter alone, the District Court "inferred" the potential existence of a justiciable controversy "several years down the road" which might — the District Court surmised — give rise to federal declaratory judgment jurisdiction. This inference drawn by the District Court was in clear violation of the *Merrick* rule and, moreover, was based on sheer speculation and not undisputed fact. The latter circumstance compounded the error of the District Court being in clear violation of this Court's statement of the rule applicable in summary judgment cases. *Adickes v. S. H. Kress and Company*, 398 U.S. 144 (1970).

Chesebrough's argument — fallacious as it is — suggests that Faberge waived its objection to federal jurisdiction by failing to raise such objection in the District Court. Such is not the law. Federal courts are courts of limited jurisdic-

tion, and the right to contest such jurisdiction as to subject matter is never waived. It can be raised and questioned at any stage, by any party, in any court, trial or appellate. *Mitchell v. Maurer*, 293 U.S. 237 (1934).

The foregoing fully answers the first four arguments itemized on page 5 of Chesebrough's Brief in Opposition. The fifth point raised by Chesebrough on page 5 of its Brief in Opposition (suspension of the District Court injunction) is without present significance since the Court of Appeals ultimately affirmed the injunction which had been temporarily suspended, pursuant to the District Court's Order.

There Were No "Other Facts" Established in This Case by Which Merrick v. Sharp & Dohme Can Be Distinguished.

One analytical comment contained in the Brief in Opposition highlights an important reason for granting the present writ and review by this Court. That comment constitutes an attack on Faberge's statement of the *Merrick* rule. Faberge's argument concerning *Merrick* is characterized by Chesebrough as misleading because, it is contended in the case at bench: "there definitely were 'other facts' and the controversy did not arise merely from Faberge's threat to file an opposition proceeding." (Brief in Opposition, pages 8 and 9). The Brief in Opposition then goes on to list, on page 9, four alleged factual circumstances "found" by the Court of Appeals below. *No such undisputed facts were ever established in this case.*

We observe that "findings of fact" by a Court of Appeals would be inappropriate in any case and certainly inappropriate in a summary judgment proceeding. *Trowler v. Phillips*, 260 F.2d 924 at 926 (9th Cir., 1958).

In *Adickes v. S. H. Kress and Company*, 398 U.S. 144 (1970) this Court cited the Advisory Committee notes anent Rule 56(c) and its 1963 amendment as follows:

> "Where the evidentiary matter in support of the motion [for summary judgment] does not establish the absence of a genuine issue, summary judgment must be denied *even if no opposing evidentiary matter is presented.*" *Ibid.* at page 160 (Emphasis added by the Court).

No evidentiary matter was ever submitted by Chesebrough to justify or support what it now claims to be "other facts" distinguishing the *Merrick* case.

Thus it is clear that the District Court exceeded its jurisdiction when it "inferred" a justiciable controversy *solely* from a letter threatening to oppose registration of Chesebrough's mark. Such inference is directly contrary to the rule of the *Merrick* case.

It bears emphasis that Chesebrough's statement that there were "definitely other facts" besides the controversial letter of August 25, 1975 supporting declaratory judgment jurisdiction, is directly contradicted by the District Court's own statement:

> "[M]y conclusion that there was a justiciable controversy giving jurisdiction to this court *is based entirely upon the letter of August 25, 1975.*"

Petitioner's original Appendix, page 13 (emphasis added).

Conclusion.

For the reasons stated in our original Petition and in this Reply Brief, we submit that a writ of certiorari should issue in this case.

Dated: August 23, 1982.

Respectfully submitted,

WILLIAM K. RIEBER,
FULWIDER, PATTON, RIEBER,
LEE & UTECHT,
Attorneys for Petitioner.

SUPPLEMENTAL APPENDIX.

Defendant's Objections to Plaintiff's Second Proposed Findings of Fact and Conclusions of Law, Dated January 16, 1980.

In the United States District Court, Central District of California.

Chesebrough-Pond's Inc., a corporation, Plaintiff, v. Faberge, Incorporated, a corporation, Defendant.

Faberge, Incorporated, a corporation, Counterclaimant, v. Chesebrough-Pond's Inc., a corporation, Counter-defendant. Civil Action No. 78-3990 WPG.

Filed January 17, 1980.

Defendant respectfully repeats its objections previously voiced to Plaintiff's Proposed Findings of Fact and Conclusions of Law. In response to Defendant's previous objections Plaintiff has redrafted as its "Second Proposed Findings etc." essentially the same Findings and Conclusions objected to before.

Without repeating all of the previous objections, we respectfully direct the Court's attention to one "Catch 22" aspect of this case which has hitherto not been mentioned.

This conflict arose initially by reason of Faberge's filing in the Patent and Trademark Office an opposition to Chesebrough's registration of the trademark MATCH. In reaction to this opposition proceeding Chesebrough, Plaintiff herein, filed the present Declaratory Judgment action seeking various forms of relief by way of Declaratory Judgment and cancellation of Faberge's registrations.

It is well established that the filing of an opposition in the Patent and Trademark Office does *not* give rise to a justiciable controversy that will support a Declaratory Judgment action in the District Court. See *Merrick et al. v.*

Sharp & Dohme, 185 F.2d 713 (7th Cir., 1950). In *Merrick* the Court stated the law thusly:

> "Congress has confided the registration of trade-marks to the Patent Office of the United States, The courts of the United States have no jurisdiction over registration proceedings except that appellate jurisdiction given them by the Trade-Marks Act." 185 F.2d 713 at 717.

On that basis Faberge unsuccessfully moved in 1978 to dismiss the action for lack of subject matter jurisdiction, to wit, lack of a "justiciable controversy".

It is worthy of note that in the case at Bench as was also true in *Merrick* the only communication between the parties alleged to give rise to a justiciable controversy was Faberge's letter concerning its intent to file an opposition in the Patent and Trademark Office. That letter is attached as Exhibit A to counsel's affidavit in support of Faberge's Motion to Dismiss. Clearly the Faberge-Ward letter does not constitute a threat of action for infringement or even discuss the possibility of such action. The supposed threats of infringement action have been generated only by arguments of Plaintiff's counsel and we respectfully submit that such arguments cannot be used as substitutes for an actual justiciable controversy.

Faberge's motion to dismiss was denied, obstensibly because the case involved claims by Chesebrough such as Faberge's alleged fraud and abandonment of its trademark. Thus, apparently because of the existence of these other issues, the case remained in this Court and the opposition proceedings which could and would have resolved the one existing controversy in accordance with well established precedents was suspended in favor of this action.

Now the Court has persuaded the Plaintiff to drop all of the ancillary causes which prevented the dismissal of the

case in 1978 and has decided by Summary Judgment the one matter which was pending in the Patent Office Tribunals, thus, with due respect, violating the principles enunciated in *Public Service Commission of Utah et al. v. Wycoff Company, Inc.*, 344 U.S. 237 (1952). There the Supreme Court said:

> ". . . the declaratory judgment procedure will not be used to preempt and prejudge issues that are committed for initial decision to an administrative body or special tribunal any more than it will be used as a substitute for statutory methods of review."
>
> Ibid. at 241

We also reiterate a point which has frequently been stated by the Ninth Circuit Court of Appeals and that is that "Findings of Fact" in the real sense of the word are singularly inappropriate in a Summary Judgment proceeding. In *Trowler v. Phillips*, 260 F.2d 924 (9th Cir., 1958) a copyright case in which summary judgment was reversed, the Court of Appeals said:

> "It is interesting to note that findings of fact and conclusions of law were prepared and signed. The theory of a summary judgment is that there are no disputed facts. We have seen findings of fact accompanying summary judgments, Rule 52(a) of the Federal Rules of Civil Procedure, 28 U.S.C.A., which, while unnecessary, did provide a handy summary. But all too often a set of unnecessary findings of fact is the telltale flag that points the way to a discovery that summary judgment should not have been granted."
>
> Ibid. at 926

The Court in rendering Summary Judgment has no power to make Findings in the usual manner by weighing evidence and must make its ruling solely on the basis of facts which are agreed to by all parties. Clearly the parties in the case

at bar are in strong disagreement as to a number of "facts" which should be determined before a final ruling can be had in this case. In this connection we cite *J. B. Williams Co., Inc. v. Le Conte Cosmetics, Inc.*, 523 F.2d 187 at 191 where the Court said:

> "In order to determine whether there is a likelihood of confusion in a trademark infringement case, the Court must consider numerous factors, including *inter alia* the strength or weakness of the marks, similarity in appearance, sound, and meaning, the class of goods in question, the marketing channels, evidence of actual confusion, and evidence of the intention of defendant in selecting and using the alleged infringing name. See *Carter-Wallace, Inc. v. Procter & Gamble Co., supra*, 434 F.2d at 800; *Paul Sachs Originals Co. v. Sachs, supra*, 325 F.2d at 214. After considering these factors, the Court then must determine whether there exists a likelihood of confusion."

The Court has in the present case based its Summary Judgment solely on a consideration of the printed words MACHO and MATCH and has failed to give any consideration or permit the introduction of evidence of any of the several other factors which the Ninth Circuit has repeatedly found necessary to consider in trademark cases.

We respectfully submit that in the words of the Ninth Circuit Court of Appeals the Findings proposed by the Plaintiff initially and currently constitute "a tell-tale flag that points the way to a discovery that Summary Judgment should not have been granted". The Court is urged to reconsider this matter in that light, particularly the threshold question of subject matter jurisdiction in view of the *Merrick* (185 F.2d 713) and the *Public Commission of Utah* etc. case (344 U.S. 237).

In any event the Court is asked to reject the proposed Findings submitted by Plaintiff and with respect to the jurisdiction issue to make a clear finding that the only communication between the parties upon which Plaintiff seeks to base a justiciable controversy is the Faberge-Ward letter of August 25, 1975 attached as Exhibit A to Faberge's Motion to Dismiss, filed herein December 22, 1978.

Respectfully submitted,

FULWIDER, PATTON, RIEBER,
LEE & UTECHT
WILLIAM K. RIEBER
WILLIAM G. ANDERSON

January 16, 1980

By /s/ William K. Rieber
Attorneys for Defendant/
Counterclaimant

Of Counsel:
RICHARD WHITING, ESQ.
DAVIS, HOXIE, FAITHFULL & HAPGOOD
45 Rockefeller Plaza
New York, New York
Telephone: (212) 757-2200

CERTIFICATE OF SERVICE

I hereby certify that I am a member of the bar of the State of California and of this Court and that the foregoing DEFENDANT'S OBJECTIONS TO PLAINTIFF'S SECOND PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW was served on Plaintiff's attorneys, Richard A. Wallen, Esq., Harris, Kern, Wallen & Tinsley, Quinby Building, Top Floor, 650 South Grand Avenue, Los Angeles, California 90017 by first class mail postage prepaid this 17th day of January, 1980.

/s/ William G. Anderson
William G. Anderson